

Message Text

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44

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-03 COME-00 DODE-00 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 FEA-02 IO-14

PA-04 PRS-01 USIA-15 OPIC-12 NEA-14 DRC-01 /230 W

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P R 241105Z AUG 74

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC PRIORITY 2730

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

USMISSION EC BRUSSELS UNN

USMISSION OECD PARIS UNN

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C O N F I D E N T I A L STOCKHOLM 3725

E.O. 11652: GDS

TAGS: EINV, ENRG, OPEC, OECD, SW

SUBJECT: FOREIGN DIRECT INVESTMENT BY OIL PRODUCING NATIONS

REF: STATE 178868

1. SUMMARY. SWEDISH GOVERNMENT DOES NOT NOW ENCOURAGE DIRECT FOREIGN INVESTMENTS INTO SWEDEN FROM OPEC COUNTRIES. SWEDISH INDUSTRY HOWEVER IS EXPLORING ON SELECTIVE BASIS JOINT-VENTURES IN NON-OIL AREAS. IF USG WERE TO ENCOURAGE OPEC DIRECT INVESTMENTS INTO US, SWEDEN WOULD FAVOR SUCH ACTION AS ASSISTING IN RECYCLING OIL-GENERATED FINANCIAL RESOURCES AND IN IMPROVING WESTERN RELATIONS WITH OPEC COUNTRIES; HOWEVER, THERE WOULD ALSO BE SOME CONCERN HERE OVER WHAT EFFECT SUCH A COLLABORATIVE EFFORT, IF SUCCESSFUL, WOULD HAVE, FIRST ON SWEDISH EXPORT MARKETS AND, SECOND, ON CONTINUED AVAILABILITY OF OIL FOR SWEDEN IN VOLUME AND AT PRICES WHICH WOULD BE UNACCEPTABLE. RESTRICTIVE DIRECT

INVESTMENT POLICY BY USG AGAINST OPEC COUNTRIES, ON OTHER HAND, WOULD PROBABLY BE LOOKED UPON AS AN OMEN TMEN# WEDES WOULD FEAR SUCH ACTION AS LIKELY TO WIDEN DIVISION NOT ONLY BETWEEN OPEC COUNTRIES AND THE WEST, BUT BETWEEN DEVELOPED AND DEVELOPING COUNTRIES. IMPACT OF EITHER COURSE OF ACTION ON OIL VOLUME AND PRICES CANNOT BE PREDICTED SINCE MUCH WOULD DEPEND ON REACTION OF OPEC COUNTRIES; END SUMMARY.

2. GOVERNMENT AND INDUSTRY REPRESENTATIVES HAVE INDICATED THAT GOS IS NOT CONSIDERING CHANGING ITS PRESENT POLICIES RELATING TO FOREIGN DIRECT INVESTMENTS INTO SWEDEN. THERE IS NO SPECIAL ENCOURAGEMENT TO DIRECT INVESTMENTS FROM OPEC COUNTRIES. GOS HAS HOWEVER BEEN EXPLORING POSSIBILITIES OF WORKING OUT JOINT-VENTURE DEALS WITH OPEC COUNTRIES, INCLUDING ONE WITH LIBYA FOR ESTABLISHMENT OF A JOINT OIL-REFINING FACILITY IN SWEDEN (STOCKHOLM 978). LATTER PROPOSAL WAS MADE DURING HEIGHT OF OIL CRISIS; WE HAVE NO EVIDENCE THAT ANYTHING HAS DEVELOPED FROM THESE TALKS. PRIVATE INDUSTRY, PARTICULARLY UNDER SPONSORSHIP OF FEDERATION OF SWEDISH INDUSTRIES, HAS ALSO BEEN LOOKING INTO POSSIBILITIES OF JOINT-CONFIDENTIAL

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VENTURE DEALS IN MANUFACTURING, BUT NOT IN PETROLEUM FIELD. SEVERAL PRIVATE MISSIONS HAVE VISITED OPEC COUNTRIES THIS YEAR AND THERE IS ONE SCHEDULED TO VISIT IRAN NOVEMBER 11-15 UNDER LEADERSHIP OF PRINCE BERTIL FOR PURPOSE OF EXPANDING TRADE AND ECONOMIC RELATIONS; MISSION TO IRAN WILL PROPOSE JOINT-MANUFACTURING FACILITY TO BE ESTABLISHED IN THE TWO COUNTRIES (DETAILS ARE NOT AVAILABLE). SAUDI ARABIAN FOREIGN MINISTER SAOAF HAS JUST COMPLETED A VISIT TO SWEDEN. NO ANNOUNCEMENT OF BUSINESS DEALS HAVE BEEN ISSUED BUT

JOINT COMMUNIQUE MAY ANNOUNCE FORMATION OF COMMITTEE TO EXPLORE JOINT VENTURES.

3. GENERAL ECONOMIC/POLITICAL CIRCUMSTANCES IN SWEDEN AT THIS TIME WOULD TEND TO FAVOR ENCOURAGING INVESTMENTS BY OPEC AND OTHER COUNTRIES. POLITICALLY, SWEDEN HAS CONSISTENTLY SOUGHT TO SUPPORT LDC ASPIRATIONS. ECONOMICALLY, OPEC INVESTMENT HERE WOULD BE TIMELY. SWEDEN'S BALANCE-OF-PAYMENTS POSITION HAS DETERIORATED SHARPLY SINCE MARCH AND PRELIMINARY FIGURES INDICATE TRADE ACCOUNT WAS PROBABLY IN DEFICIT AT END OF FIRST SIX MONTHS COMPARED TO SURPLUS OF SKR 3.8 BILLION AT SAME TIME LAST YEAR. BANK OF SWEDEN HAS EVEN ADVISED INDUSTRY TO SEEK CAPITAL FINANCING FROM ABROAD. ON OTHER HAND, IF SWEDEN WERE TO ENCOURAGE DIRECT INVESTMENTS, IT WOULD MOST LIKELY TRY TO CHANNEL THEM INTO AREAS WHICH WOULD NOT ADVERSELY AFFECT BASIC INDUSTRIES (FORESTRY PRODUCTS, STEEL, SHIP-BUILDING, ETC.) AND WOULD TRY TO DISCOURAGE PURCHASE OF PORTFOLIO SECURITIES OF EXISTING FIRMS. SWEDISH BUSINESS IS HARD-HEADED IN NEGOTIATING BUSINESS DEALS, AND SINCE 93 PERCENT OF BUSINESS IS PRIVATE, GOVERNMENT EFFORTS TO ENCOURAGE DIRECT INVESTMENTS FROM OPEC WOULD NOT AUTOMATICALLY LEAD TO SIGNIFICANT FLOW OF FUNDS INTO SWEDEN. INDEED, OPEC COUNTRIES THEMSELVES MIGHT WELL CONSIDER THAT MOREPUCRATIVE INVESTMENT POSSIBILITIES LAY ELSEWHERE THAN IN SWEDEN.

4. SWEDDEN PROBABLY WOULD FAVOR USG INCOURAGEMENT OF DIRECT INVESTMENTS FROM OPEC COUNTRIES AS ASSISTING IN RECYCLING OIL-GENERATED FINANCIAL RESOURCES AND IN IMPROVING US AND WESTERN RELATIONS WITH OPEC COUNTRIES. ON OTHER HAND, IT WOULD WANT SUCH ENCOURAGEMENT TO BE NON-DISCRIMINATORY IN RULE AND EFFECT. SWEDEN WOULD WISH TO WATCH CAREFULLY THE KINDS OF INVESTMENTS TAKING PLACE TO DETERMINE WHETHER THEY ADVERSELY AFFECT SWEDISH INTERESTS, EITHER AS AN EXPORTER OR AS AN OIL IMPORTER. GOS WOULD PROBABLY LOOK ASKANCE AT RESTRICTIVE USG DIRECT INVESTMENT

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POLICY AGAINST OPEC COUNTRIES; SWEDEN WOULD FEAR THAT US RESTRICTIONS WOULD WIDEN THE DIVISION, NOT ONLY BETWEEN OPEC COUNTRIES AND THE WEST, BUT ALSO BETWEEN DEVELOPING AND DEVELOPED COUNTRIES. IMPACT OF EITHER COURSE OF ACTION ON OIL VOLUME AND PRICES CANNOT BE PREDICTED SINCE MUCH WOULD DEPEND ON REACTION OF OPEC COUNTRIES. IT WOULD APPEAR TO US IN ANY EVENT THAT WORLD PUBLIC OPINION WOULD NOT SUPPORT ANY RESTICTIVE ACTION BY USG AT THIS TIME. SUCH ACTION, THEREFORE, DOES NOT APPEAR TO BE A REAL ALTERNATIVE FOR USG.

5. SEVERAL GENERAL OBSERVATIONS ARE IN ORDER FROM A STOCKHOLM VANTAGE POINT: (A) THE OPEC EXPERIENCE HAS MADE SWEDEN AWARE THAT EVEN WHERE RESOURCES ARE SUFFICIENT, THEIR AVAILABILITY AND PRICES ARE SUBJECT TO MANIPULATION BY THIRD-WORLD NATION-STATES AND THEIR LEADERS; (B) FOR OIL, HOWEVER, SWEDEN

APPEARS SOMEWHAT COMPLACENT OVER SUPPLIES, TRUSTING THAT THE FREE WORLD COUNTRIES WILL INCLUDE SWEDEN IN ANY PROGRAM FOR EMERGENCY ALLOCATIONS AND APPEARS TO BE LOOKING ON THIS PROBLEM AS MAINLY ONE OF PRICES AND THEIR IMPACT ON BALANCE OF PAYMENTS, A DEVELOPMENT WHICH SWEDEN FEELS IT CAN WITHSTAND IN THE NEAR FUTURE: (C) SWEDEN IS AWARE THAT COUNTRIES WITH OTHER ESSENTIAL RESOURCES UNDOUBTEDLY WILL ATTEMPT TO USE THEIR POSITION TO FURTHER FOREIGN POLICY OBJECTIVES, BUT TENDS TO DISCOUNT SUCH DEVELOPMENT AS LIKELY TO BE EFFECTIVE IN CREATING SIGNIFICANT SHORTAGES FOR SWEDEN; AND (D) SWEDEN, ALTHOUGH SHE ESPOUSES A "NEUTRAL FOREIGN POLICY," REALISTICALLY PERCEIVES THE NEED TO WORK WITH THE UNITED STATES AND WESTERN COUNTRIES IF HER ECONOMIC REQUIREMENTS ARE TO BE MET. AS MAY SUIT HER PARTICULAR SITUATION, SWEDEN, WERE SHE TO BE ASKED TO TAKE A STAND ON THE RECYCLING OF OIL-GENERATED FUNDING, WOULD PROBABLY ARGUE THAT SHE IS A "SMALL" COUNTRY AND THAT HER DECISIONS ARE NOT LIKELY TO CONTRIBUTE SIGNIFICANTLY TO SOLVING THIS PROBLEM. NONETHELESS, SWEDEN WILL SEEK AN IMPORTANT VOICE IN INTERNATIONAL DECISIONS AFFECTING MONETARY POLICIES. THIS AMBIVALENCE IN FOREIGN ECONOMIC POLICY MATTERS WOULD INDICATE TO US THAT SWEDEN WILL GO ALONG WITH THOSE U.S. DECISIONS ON FOREIGN ECONOMIC POLICIES THAT APPEAR TO BE CONSTRUCTIVELY ORIENTED TOWARD SOLVING WORLD PROBLEMS. PROVIDED SUCH POLICIES DO NOT DIRECTLY IMPINGE ON SWEDISH ECONOMIC INTERESTS OR "NEUTRAL" STANCE IN RELATION TO THIRD WORLD COUNTRIES.

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NOTE BY OC/T: (#) TEXT AS RECEIVED.

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